GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4033
ANSWERED ON:14.12.2001
IMPACT OF INFLATION ON PETROLEUM PRODUCTS
RAJO SINGH

Will the Minister of FINANCE be pleased to state:

(a) the impact of inflation on the prices of petrol and petroleum products during each of the last two years; and

(b) the steps being taken by the Government to contain the rate of inflation?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) Domestic inflation rate is determined by the increase or decrease in prices of various commodities as monitored by the movement in the Wholesale Price Index on a weekly basis. Therefore,it is the increase in the prices of petrol and petroleum products that would have an impact on the inflation rate and not the other way round since domestic prices of petrol and petroleum products are influenced by the trend in the international crude oil prices and are determined through the administered pricing regime.

Global price increases in crude oil had to be translated into increases in administered prices of petroleum products twice during 2000-01. The increase in the administered prices of energy products on March 23, 2000 pushed up the inflation rate from 5.37% to 6.49%. A further increase in the administered prices announced on September 29, 2000 pushed up the overall inflation rate from 6.34% to 7.77% last year.

(b) The current fiscal year started with an inflation rate of 5%, which decelerated continuously to reach a two-year low of 2.4% by November 3, 2001.

Government`s supply side management has ensured stability in prices so far in the current financial year. Concerted efforts are being made to ensure adequate availability of essential commodities of mass consumption at reasonable prices. Measures have also been adopted on the demand side to control inflationary pressures. These include bringing about greater fiscal discipline, and regular monitoring of monetised deficit and broad money (M3) growth.